

ENERGY AND TECHNOLOGY COMMITTEE
HOUSE BILL NO. 5818: AAC SUMMER SAVER REWARDS

MARCH 7, 2008

TESTIMONY OF THE
DEPARTMENT OF PUBLIC UTILITY CONTROL
VICE CHAIRMAN JOHN W. BETKOSKI

Positive Aspects of the 2007 Program

- Increased awareness about energy efficiency;
- Provided very modest relief to energy bills.

Negative Aspects of the Program

- Very expensive to operate - \$20.5 million is about 25% of the annual C&LM budget;
- Very limited amount of time to promote the program;
- Many "free riders" (i.e., customers that received a credit but likely took no action to reduce consumption or that would have reduced their consumption anyway);
- Many or possibly most of the recipients may have received credits without making a conscious decision or effort to participate;
- The Program was designed to reduce consumption and did not address peak demand. Because residential customers do not have demand meters it would be extremely difficult to measure the reduction in peak demand. This complicates any evaluation.

Recommendations

- Delay repeating the program until 2009 to allow time to develop standards for measurement thus assuring the program can be properly evaluated;
- Limit the program to residential customers;
- Require enrollment in the program but provide multiple ways to sign up including phone, mail, on-line enrollment, etc;
- At the point of enrollment direct customers to conservation services;
- Customer incentives should be based on increments of 1% once the 10% threshold is achieved.
- Review the next program as part of the 2009 C&LM initiatives;

- Consider a program that targets residential peak demand by encouraging TOU customers to shift consumption to the off-peak. For example, the typical load profile of a residential customer is 25% peak and 75% off-peak. Offer an incentive for customers to show a profile of 20% on and 80% off-peak during June, July August and Septemeber.

The following tables provide information about the 2007 Summer Saver Rewards Program.

Table 1 indicates that combined, CL&P and UI serve about 1.5 million customers and that about 1.2 million or 82% were eligible for the Program. To be eligible to participate in the Program a customer needed to have continuous service at the same location from July 2006 to September 2007. This does not show the number of customers that received a credit, only those that were eligible to participate in the program.

Table 1

Company	Total Number of Customers	Eligible Customers	Ineligible Customers
UI	324,086	258,959	65,127
CL&P	<u>1,200,000</u>	<u>987,900</u>	<u>212,100</u>
Total	1,524,086	1,246,859	277,227

Table 2 shows that the credits paid by CL&P and UI totaled \$17.9 million. Of the 1.2 million eligible customers 389,514, or 31% received a credit, and that company-wide UI's credits averaged about \$49/customer while CL&P's credits averaged about \$45/customer. These averages include credits issued to commercial customers.

Table 2

Company	Total Customers Receiving a Credit	Total Credit Paid	Average Credit
UI	85,011	\$4,152,781	\$48.85
CL&P	<u>304,503</u>	<u>\$13,810,241</u>	\$45.35
Total	389,514	\$17,963,022	

Table 3 provides a breakdown of the customers that received a credit. This information shows the number of customers that self-enrolled (i.e., actively enrolled) or auto-enrolled (were eligible as the result of the Department's Decision to eliminate the enrollment requirement). As the table shows, of the total number of customers that received a credit, only 6% had self-enrolled. Therefore, 94% of customers receiving a credit did so through automatic enrollment.

Table 3

Company	Total Customers Receiving a Credit	Self-Enrolled	Auto-Enrolled
UI	85,011	3,804	81,207
CL&P	<u>304,503</u>	<u>18,141</u>	<u>286,362</u>
Total	389,514	21,945	367,569

Table 4 shows that the Program issued credits based on a total of 323.2 million kWh's. Of this total, 16.6 million kWh's or about 5% were attributable to customers who self-enrolled while 306.6 million kWh's or 95% were from customers that participated as the result of the Department's Decision to eliminate the enrollment requirement.

Table 4

Company	Total Energy Reduction	Reduction From Self-Enrolled	Reduction From Auto-Enrolled
UI	78,704,152	2,912,140	75,792,012
CL&P	<u>244,514,726</u>	<u>13,659,238</u>	<u>230,855,488</u>
Total	323,218,878	16,571,378	306,647,500

Table 5 shows that the cost of the program, including bill credits, totaled \$20.5 million. A breakdown shows that \$17.9 million or 87% of the cost was attributable to bill credits while \$2.6 million or 13% represented the cost of marketing and administration.

Table 5

Company	Total Cost	Bill Credits	Admin.and Marketing
UI	\$4,740,744	\$4,152,781	\$587,963
CL&P	<u>\$15,810,241</u>	<u>\$13,810,241</u>	<u>\$2,000,000</u>
Total	\$20,550,985	\$17,963,022	\$2,587,963

Free Electricity During Off-peak Hours.

This proposal would require CL&P and UI to provide time-of-use meters to any customer that sought to participate in this initiative, program the meters to record consumption based on the hours prescribed in the bill, read the meters to capture the appropriate load data and modify billing systems to properly bill customers during the summer months.

The Department recently concluded a review of CL&P and UI's metering systems. The following summarizes the Department's findings.

The Connecticut Light and Power Company

- ✓ The installation of an advanced meter system for CL&P would cost in excess of \$270 million;
- ✓ Included in the \$270 million estimate is the cost to upgrade CL&P's billing systems; \$30 to \$50 million.
- ✓ It would require a significant effort over an 18-month period to replace CL&P's current meter system;
- ✓ The installation of Advanced Meters would strand about \$110 million in current meter costs;
- ✓ The investment in Advanced Meters would increase annual rates by \$45 million (an overall average of about \$3 per month per customer).
- ✓ Continued installation of AMR meters could increase stranded cost if it is determined to move forward with Advanced Meters.
- ✓ Based on our review, CL&P could not comply with the proposal.
- ✓ Although CL&P had proposed moving forward with the full deployment of Advanced Meters, the Department rejected that proposal, opting instead to have CL&P study the technical capabilities of these meters as well as customer response to alternate rate designs.

United Illuminating

UI's metering system Cellnet) is dramatically different than CL&P's AMR technology;

UI's Cellnet meters use a system which communications consumption data remotely and on a daily basis;

As a result, UI has a communications infrastructure in place while CL&P does not;

UI's existing communications infrastructure can be modified to accommodate the communications systems of Advanced Meters;

This allows UI to convert to Advanced Meters gradually, replacing Cellnet meters with newer devices that can utilize the existing communications system,

Although UI would also need to upgrade its billing system, it would only cost about \$3.5 million to do so.

Summary

Unlike UI's Cellnet system which communicates consumption data remotely and on a daily basis, CL&P utilizes an Automatic Meter Reading (AMR) technology which relies on drive-by technology to gather customer usage data. As a result, UI has a communications infrastructure in place while CL&P does not. This allows UI to convert to advanced meters gradually, replacing Cellnet meters with newer devices that can utilize the existing communications system, after upgrades. CL&P's AMR system does not provide this flexibility. Therefore, UI can move forward with a relatively small investment in an MDM system and modifications to its current billing system. Although CL&P would also need an MDM system, it has estimated significant costs to upgrade its billing system, which would be required to move forward.

Regarding the meters, while the cost of an Advanced Meter would be similar for both companies, UI can replace its Cellnet meters gradually, essentially on a meter-by-meter basis, while CL&P would need to deploy significant quantities of Advanced Meters within geographic regions. As a result of these different deployment requirements, UI will not develop stranded metering costs while CL&P would strand in excess of \$110 million in meter-related costs. Id.

In summary, unlike UI, which can selectively install Advanced Meters while using its existing communications infrastructure thereby avoiding significant initial investments in meters and obviating the need to recover stranded costs, CL&P must replace significant quantities of its current meter system, invest large sums in MDM and billing system upgrades and would strand significant meter-related costs. These differences allow the Department to pursue unique strategies regarding the deployment of Advanced Meters for each utility.

DPUC Initiatives

The Department is moving forward on several fronts to address peak demand. One such measure is TOU pricing for non generation-related bill components such as Transmission and Federally Mandated Congestion Charges. The Department will be examining this matter over the next several months with the intention of designing on and off-peak rates that would become effective in 2009.

As part of this review, the Department will examine whether it is appropriate to set the off-peak cost for these bill components at \$0.00/kWh during the summer billing period. This could be considered part of the effort to establish seasonal rates.

